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FM AMEMBASSY NAIROBI  
TO RUEHC/SECSTATE WASHDC 5922  
RUEHRC/USDA FAS WASHDC 1645  
INFO RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHXR/RWANDA COLLECTIVE  
RUEHEG/AMEMBASSY CAIRO 4000  
RUEHFR/AMEMBASSY PARIS 2751  
RUEHRO/AMEMBASSY ROME 5302  
RUEHBS/USEU BRUSSELS  
RUEHGV/USMISSION GENEVA 4441  
RUEH DU/AMCONSUL DURBAN 0185

UNCLAS SECTION 01 OF 02 NAIROBI 001336

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SUBJECT: AG MINISTER RUTO VOWS TO REMOVE DUTIES ON WHEAT IN MEETING WITH AMBASSADOR RANNEBERGER

REFS: (A) STATE 53353 (B) STATE 533346 (C) STATE 52628  
(D) NAIROBI 1122 AND PREVIOUS  
(E) FAS NAIROBI GAIN KE8012

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¶1. SUMMARY: Kenyan Minister for Agriculture William Ruto promised the Ambassador on May 8, 2008 that he would remove the 35% tariff on imported wheat as a way to ease inflationary pressures on bread prices. The Minister also agreed to work closely with the Kenyan Ministry of Science and Technology to fast track passage of trade-friendly biotech legislation. END SUMMARY.

¶2. Ambassador Ranneberger, Agricultural Counselor Kevin Smith, and USAID General Development Officer Robert Buzzard met with the newly appointed Minister for Agriculture William Ruto on May 8, 2008 to discuss issues of agricultural development and reform in Kenya. Ruto candidly assessed Kenya's agricultural situation as dire. He stated that post-election violence resulted in the destruction of a large percentage of corn stocks and displacement of hundreds of farmers from their land. Many of these farmers have not returned to plant the long rains crop. The situation has been exacerbated by the escalating cost of inputs. (See ref D for an extensive account of the agricultural losses). According to Ruto, the Kenyan government needs to invest 3.75 billion Kenyan shillings (US\$61 million) to assist in a recovery effort. Ruto claims that the Kenya Commercial Bank (KCB) has agreed make 850 million Kenyan shillings (US\$14 million) available to finance the purchase of fertilizer. Since the crop has already been planted, the fertilizer will be applied as a top dressing and should assist in increasing yields.

¶3. The Minister estimates a deficit of 540 thousand tons of corn for the current year and fears that at current consumption levels, stocks will only last until the end of June. Apparently, the government intends to allow duty free imports of corn to compensate for shortfalls in production. Ruto expressed a desire to increase the strategic reserves of corn from 4 million 90 kg bags to 8 million (360,000 tons to 720,000 tons).

¶4. An initiative the Minister feels will have a major impact on the agricultural sector is the public/private sector partnership among Equity Bank, Alliance for a Green Revolution in Africa (AGRA), International Funds for Agricultural Development (IFAD), and the Ministry of Agriculture that will provide low interest loans to farmers for the purchase of inputs and land preparation. Resources exceeding US\$50 million will be made available for this initiative. Ruto asserted that additional resources from the government would leverage an additional US\$50 million in low interest loans to farmers from the Cooperative Bank.

¶5. The Ambassador informed Ruto that US\$200 million through the Bill Emerson Humanitarian Fund has been released to address food security concerns around the world and that it is possible some of these resources may be coming to Kenya. He also told Ruto of the President's request to Congress for an additional US\$770 million to fight hunger (ref C). The Ambassador and Minister agreed that USAID and FAS would work with the Ministry to coordinate efforts to revitalize agriculture in Kenya.

¶6. To assist in addressing the high cost of food, the Ambassador opined that the high tariffs on wheat and corn should be reduced. He stated that the 35% tariff on wheat in addition to the doubling of CIF prices over the past year have passed a heavy burden to consumers. In addition, flour millers will find it difficult to

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compete as wheat import duties in Uganda and Tanzania of 0% and 10%, respectively, make the cost of wheat flour production in those countries much cheaper. The Ambassador urged Minister Ruto to significantly reduce, if not eliminate altogether, quotas and tariffs on imported staple foods in order to improve food security and reduce consumer costs (ref A).

¶7. Minister Ruto agreed and stated that even Kenyan wheat producers feel the tariff is too high and fear flour millers may relocate to countries with lower tariffs. He said that he intends to meet with the Ministry of Finance to initiate a zero tariff on wheat for the remainder of the year, then convert to a permanent 10 percent tariff in December of 2008.

¶8. As instructed ref B, Ambassador Ranneberger asserted that Kenya could also help increase its agricultural productivity by employing new technologies such as biotechnology. He encouraged the Minister to facilitate the passage of trade-friendly legislation for biotechnology that will allow the United States to respond quickly to food aid needs.

¶9. The Minister concurred and promised to work with the Ministry of Science and technology to ensure quick passage of a bio-safety bill.

Ranneberger